Insurance-1933 D.C.

Life

National Benefit Life Insurance Company To Be Dissolved After Three Years of Receivership

WASHINGTON, D. C., (CNS)—The muddled affairs of the great National Benefit Life Insurance Company will soon enter upon the final chapter, as Justice Daniel O'Donoghue, on Thursday, August 31, signed a decree ordering the company's dissolution and the liquidation of all assets.

This decision came after the receivers, Clark and Bryan "threw cold water" on J. Finley Wilson's mutualization plan and on Tuesday August 29, petitioned the Court to liquidate the assets of the company.

The receivers asserted in their petition they had done everything to carry on the business of the National Benefit under modified agreements with more than 60,000 policyholders. They contend that as a result of factional disputes and adverse publicity in Negro newspapers, approximately 25,000 of the policies originally modified have lapsed.

"In the period of this receivership no offer has been made to these receivers and no proposal has been submitted which furnished any basis on which the receivers could make any recommendation to the court for issuance of order transferring the going insurance business or any part thereof to any new or existing company."

The receivers also stated that they had made informal overtures to four companies (all white) to determine whether or not they could reinsure certain policies with them. Negative replies were received from all four of the following companies: Metropolitan, New York; Life and Casualty, Nashville; National Life and Accident, Nashville; Washington National, Chicago.

After stating a belief that the present policyholders are not in a position to subscribe to cash required for a new mutual company, the petition concludes that "there is no prospect, immediate or remote, for rehabilitation or reorganization of this insurance business and that all assets should be liquidated and applied to the payment of existing claims."

Blame Receivers

Charging that the receivership of the National Benefit Life Insurance Company had been badly conducted, and that the receivers had been dilatory in everything except collecting their own fees, J. Finley Wilson's attorney, Samuel Boyd in arguing for the intervener's mutualization plan, also stated that Gilbert A. Clark and Frank B. Bryan, the white receivers, had opposed every effort of interested persons to rehabilitate the company.

Mr. Boyd made a strong plea to the court to save the company for the benefit of "the colored group," and called attention to Justice O'Donoghue's statement made at the time when the receivership was ordered. Then the Justice took cognizance of the 200,000 poor policyholders, and held that the receivership should be continued a reasonable time to allow the policyholders to formulate some plan to rehabilitate the company.

"It was the court's intention two years ago to save the company, and the court should not now abandon that purpose," declared Mr. Boyd.

Speaking directly about Mr. Wilson's plan, Mr. Boyd told the court that it was based principally upon the one adopted in Illinois in the rehabilitation of the Victory Life Insurance Company. He related that with the view of using the same plan to mutualize the National Benefit, Mr. Wilson had secured powers of attorneys from 1,200 policyholders to show that it was no idle dream that cooperation could be secured.

Mr. Boyd accused the receivers of threatening to "fire" any of the field agents who might attempt to interest the public in the plan. He summarized by saying that those attempting to mutualize the company had "met the unqualified opposition of the receivers," Gilbert A. Clark and Frank B. Bryan jr., both white.

"You said in the beginning," he continued, "that you wanted the receivers to be friendly with any practical plan for the rehabilitation of the company. We ask you to consider our plan. It is modeled after the same plan put in force by the Federal Court in Chicago."

Nat'l Benefit Case Teaches Real Lesson

Dissolution of Big Insurance Company Was Inevitable—More Effective Organization Needed In the Future.

By WILLIAM OCCOMY

It has been reported that the receivers of the National Benefit Life Insurance Company have recommended to the court the dissolution of this enterprise. While this is regrettable, yet, it was almost inevitable since the receivers showed no interest in the welfare of the establishment by charging enormous and exorbitant fees for their services. This course of action can merely be interpreted as being that the receivers were apparently more concerned about liquidating the assets than in conserving them.

Receiverships invariably cause a loss of good-will which reacts unfavorably on outstanding contracts. Collections fall with a mercurial swiftness, while sales are blocked, resulting in the closing of the passageways of income. Creditors, too, become apprehensive and seize every means available, legitimate and even illegitimate to collect their bills. Except in cases of public utilities, where quasi-monopolies are maintained or where strategies are employed to issue more stock or to change the capital structure, do those companies in bankruptcy ever come out safe and solvent.

Significance

This catastrophe has profound meaning for the Negro. The lessons learned from this event can be enumerated as follows, that:

1. The larger the size of the enterprise, the greater amount of capital and managerial skill are required to administer it. Logical reasoning would conclude that the magnitude of operations, too, indicates a colossal disaster in the event of failure.

2. More effective organization is needed among Negroes to protect their interests in concerns and establishments which are in bankruptcy.

3. Operations as conducted on a large scale, such as those directed by the National Benefit, should encourage Negroes to promote and operate other concerns.

Size

The size of an enterprise has much to do with its success or failure. The more gigantic its extensions, the more capital is required to operate it and the more skillful and apt must the management be. A mistake in a major policy will mean a serious disruption in the transactions of the concern. In 1919 the Goodyear Rubber Tire Company stocked up enormously in raw materials, because of the apparent shortage in these products. But in 1921 when there came a volatile decline in the prices of producers' goods, this company in adjusting its inventory, had to take unusual losses which led to its insolvency.

During the last depression one experienced the plight of the overgrown enterprises, struggling to adapt themselves to a lower price level and a buyers market, while the smaller concerns managed to do all of this with remarkable ease and suddeness. When a large concern gets into difficulty, it is extremely baffling and perplexing to extricate it. The smaller concern can alter its program, slash fixed charges and even discontinue production entirely.

And so with the National Benefit Life. It was a large enterprise, relatively speaking, for Negroes to manage. It boasted as being the largest Negro business in the world. This propaganda, no doubt, would appeal to certain racial members who had little or no comprehension of the vastness and scope of white concerns, but it would cause a smile on the countenance of him who know something about the boundlessness of commercial undertakings in general.

When there began to develop a discord in the business tenor late in 1929, the management of this company was being tested. Had it built on a solid foundation? Were its reserves and resources intact? After 30 years did it possess a well trained, contended and able staff of employes? Was it prepared for the storm brewing in the far west? Evidently not, or else like the captains of old, the enterprise, like the batteerd ship, would have been carried safely to port. If the concern has not the potential market, or the managerial skill and financial resources to operate properly on a large scale, it is better for it to remain small and to build within rather than to waste its energies and capital expanding without. So the lesson to be gleaned from this event is that before our concerns attempt bigness, expansion and sheer size, it would be well for them to take inventory of their monetary reserves, marketing potentialities and managerial abilities and future economic trends.

But after a concern does get into difficulty, it is necessary that the Negroes have an organization to protect their investments from being wasted by those who have no interest, other than financial, in their welfare. The courts invariably pass the receiverships to white men. An organization similar in scope and nature to the N. A. A. C. P. should have been on hand to prevent this. Vigilance should have been exercised over the disposition of assets, expenditures and receipts. Instead of that, though, the investment interests of the Negroes were at the mercies of those who for centuries have taken advantage of them. An organization among the race which should have been able to do this was the National Negro Business League. When an organization such as this does arise and seeks to protect the commercial interests of the group, like the National Chamber of Commerce protects the rights of the white group, then and then only will the Negro get justice when it comes to matters of receiverships and bankruptcies.

This event, though, should in no manner discourage the race in operating large concerns. With the meager experience and limited resources available, the National Benefit did remarkably well. It, perhaps, overstepped its boundaries, which no doubt, will be avoided by other racial businesses. In fact the experiences of this concern should serve as an encouragement to Negroes to promote, build and operate other establishments, for we live in a more favorable age and under more appropriate circumstances. We have more young men trained in commerce and finance, we have a larger number of persons who are anxious to see colored enterprises succeed and we are experiencing the economic pressure of the age in compelling us to seek other means and avenues of support.

The National Benefit dissolution is not then to be viewed disparagingly or wholly negatively. Out of it should come more conservatism, sounder operations, and more stable economic progress for our others to build other enterprises, other businesses. Perhaps, out of the debris there may arise a newer and nobler in policy and more organization promoted and operskilled in management than that ated for the purpose of protecting the economic rights and capital interests of the Negro, like the N. A. A. C. P. protects the legal rights of this group. Undoubtedly it will serve as an incentive to

NAT'L BENEFIT LIFE COMPANY IS DISSOLVED

Court Action Comes After Receivers Admit Failure Of Reorganization

WASHINGTON—(CPS)—The National Benefit Insurance company, which has been under receivership since February 29, 1932, will be dissolved, it became known when Justice Daniel W. O'Donoghue, of the supreme court of the District of Columbia, announced from the bench Wednesday, August 30, that he would sign an order for liquidation.

The court's action followed a request on the part of Gilbert A. Clark and Frank B. Bryan, Jr., receivers, that they be granted authority to wind up the company's affairs.

Justice O'Donoghue refused to turn over the business of the company to a group headed by J. Finley Wilson, grand exalted ruler of the Elks, who had presented a plan for mutualization of the company.

Justice O'Donoghue said that mutualization would require several hundred thousand dollars and the proposition made by Wilson was not supported by cash. Samuel Boyd, representing the Wilson group, asked for a delay of two weeks in which the receiver should dispose of the modified business.

Justice O'Donoghue said the court had been running an insurance business for more than two years and would not do so a day longer.

Bryan and Clark asked the court to authorize and direct them to discontinue the collection of premiums, to discontinue payments under all policies of insurance, to liquidate all assets of the National Benefit, and to make payment to policyholders and other claimants as may be later ordered by the court.

Since their appointment, they claim, they have attempted to accomplish the purpose of the receivership and carry on as a going concern the business of the company modified under agreement with the policyholders so that the company might be rehabilitated or reorganized. More than 60,000 policies have been modified, they said.

Neither an offer nor a proposal has been submitted to them, they assert, which furnished any basis on which they could make any recommendation to the court for issuance of an order transferring the so-called modified business to any new or existing agency.

Can't Sell Business

The receivers assert that it is impractical to attempt to sell or to reinsure the business. They say that no company operating in the territory in which the modified business is located will negotiate with them for its purchase or reinsurance at this time.

They charge that their efforts to hold the business together and preserve the company for rehabilitation or reorganization have been hampered at all stages by actions of self-appointed committees and individuals who have solicited the policyholders for powers of attorney without submisison to them (the receivers) of any constructive plan for rehabilitation.

LESS BUNCOMBE, MORE BUSINESS

The District of Columbia court has ordered the receivers it appointed to close out the affairs of the National Benefit Life Insurance Company. With it passes the Standard Life also. Thus end two major ventures in the insurance field.

Neither National Benefit nor Standard can plead it was a victim of the depression. Something else leveled their tower of Babel to the ground.

There must be some lesson Negroes can learn from failure. Unless the rest of us can avoid their mistakes, there is no hope for us.

The Standard was the first to totter. Its managers not content with a successful insurance business, undertook to "do something for the race." They started a holding company that was engaged in several kinds of businesses, and lost money. It could not find brains to conduct them though it did find their financial backing.

When the Standard failed, and its assets had gone to fatten the Southern Life of Tennessee and the Standard Life of Arkansas, two white companies, the National Benefit stepped in to "Save the Standard Life for the race."

Twice this helping-the-race argument comes on the scene, and each time it is followed by a failure. The white companies that prowled through the Standard, and the whites who have acted as receivers for the National Benefit made no pretense of altruism. They treated the companies as a business opportunity. It is presumed that they both are well paid for what they did.

But the Negro owners of stock in the companies, and the Negro policy holders in them are now empty handed. To a degree the policy holders received protection, some of them were paid the benefits promised, and some others have received partial benefits. But the bulk of Negroes who dealt with these companies are losers.

It is time for Negroes to see that figures do not lie. No race loyalty can stretch two and two until it makes more than four. Had the officials in these companies been handling their own money, had they been off somewhere so that their judgment would not have been dulled by fulsome praise of the crowd, they might have stayed within the limits of discretion. Both these companies started down before the depression overwhelmed business generally. They both failed because they did not see that the aim of all business, Negro as well as white, is to produce a profit as well as to perform a service.

Whoever argues that Negro business is to be undertaken as a social service, must keep in mind that the money with which to carry on does not come that way. We must not let ourselves be deluded into investing to "solve the race question" because the men to whom we entrust our money have no dispensation of Providence which relieves them of earning profits and paying dividends.

Insurance

Life

Florida

WINTER HAVEN, FLA.
CHIEF

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THOSE "UNETHICAL" FUNERAL BENEFIT GROUPS.

"Unethical" was the name Attorney Francis Whitehair of DeLand applied to those funeral "benefit groups" which he assailed at the convention of the Florida Funeral Directors and Embalmers association in Ocala the past week—and we are thinking that the able young attorney, a former Havenite, might have used even stronger terms in describing them. The Daily Chief has in the past had a number of things to say about these 'benefit' associations that, like leeches, bleed unfortunate people of thousands of dollars annually to promote their questionable schemes. The state of Georgia especially has been cursed with these groups but Florida also has paid a heavy tribute to them in receit years. While they operate pretty largely among the colored people, the whites have certainly not been free from their depredations as witness the necessity of warning them against the smooth operations of these gentry who care far more for the money they can mulct from the unsuspecting upon whose sorrows they trade. These chaps are certainly 'unethical' to say the least and they are as far removed from the ethics and high standards of service of the average mortician as heaven is removed from hades. Mr. Whitehair recognized this fact and expressed a feeling which we know will never be displayed by any first-class undertaker when he said, "To have a monetary interest in the death of a fellow citizen, based purely on a business consideration, is something I hope can never be truthfully laid at the door of any of you." The Florida Funeral Directors and Embalmers association has fought this benefit group for years and may be expected to continue the warfare for the protection of all who require their services in the last sacred rites for the departed. More power to them in ridding the state of these unethical practices!

1933, INSURANCE, LIFE

Continues on Reel 44